

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

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AZ CORPORATION COMMISSION
DIRECTOR OF UTILITIES

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

C

CERBAT WATER COMPANY, INC.
2409 RICCA DRIVE
KINGMAN, AZ 86401

ANNUAL REPORT

FOR YEAR ENDING

12	31	2002
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FOR COMMISSION USE

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CERBAT WATER COMPANY, INC.

**UTILITIES DIVISION
ANNUAL REPORT**

YEAR ENDED DECEMBER 31, 2002

Dennis, Schmich & Co., Ltd.

Certified Public Accountants

Member of the AICPA Private Companies Practice Section

Telephone (602) 265-5900

3839 North Third Street Suite 305
Phoenix, Arizona 85012

The Board of Directors
Cerbat Water Company, Inc.
Kingman, Arizona

We have compiled the accompanying balance sheet for Cerbat Water Company, Inc. as of December 31, 2002, and the related comparative statement of income and expense for the year then ended included in the accompanying prescribed form of Utilities Division Annual Report of Cerbat Water Company, Inc. in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. We have also compiled the supplementary information on pages 4, 5, 13 and 14.

Our compilation was limited to presenting in the form prescribed by the Arizona Corporation Commission, information that is the representation of management. We have not audited or reviewed the financial statements and supplementary information referred to above and, accordingly, do not express an opinion or any other form of assurance on them.

These financial statements and supplemental information are presented in accordance with the requirements of the Arizona Corporation Commission, which differ from generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such differences.

The supplementary information on pages 1-3, 9, 10, 11, 12, 15, and 16 contained in the accompanying prescribed form has not been audited, reviewed or compiled by us and, accordingly, we assume no responsibility for that information.

We are not independent with respect to Cerbat Water Company, Inc.

January 14, 2004

Dennis Schmich & Co., Ltd.

COMPANY INFORMATION

Company Name (Business Name) CERBAT WATER COMPANY, INC.

Mailing Address 2409 RICCA DRIVE
(Street)

KINGMAN

(City)

ARIZONA

(State)

86401

(Zip)

(928) 753-1121

Telephone No. (Include Area Code)

(928) 753-1963

Fax No. (Include Area Code)

(928) 716-1888

Pager/Cell No. (Include Area Code)

Email Address N/A

Local Office Mailing Address 2409 RICCA DRIVE
(Street)

KINGMAN

(City)

ARIZONA

(State)

86401

(Zip)

(928) 753-1121

Local Office Telephone No. (Include Area Code)

(928) 753-1963

Fax No. (Include Area Code)

(928) 716-1888

Pager/Cell No. (Include Area Code)

Email Address N/A

MANAGEMENT INFORMATION

Management Contact: B. MARK NEAL PRESIDENT
(Name) (Title)

8163 E. HIGHWAY 66

(Street)

KINGMAN

(City)

ARIZONA

(State)

86401

(Zip)

(928) 753-1121

(928) 753-1963

(928) 716-1888

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address N/A

On Site Manager: B. MARC NEAL
(Name)

SAME

(Street)

(City)

(State)

(Zip)

SAME

SAME

SAME

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address N/A

SEE ACCOUNTANT'S COMPILATION REPORT

Statutory Agent: RICHARD SALLQUIST
(Name)

2525 E. ARIZONA BILTMORE CIRCLE #117 PHOENIX ARIZONA 85016-2129
(Street) (City) (State) (Zip)

(602) 224-9222 (602) 224-9366
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

Attorney: RICHARD SALLQUIST
(Name)

SAME
(Street) (City) (State) (Zip)

SAME SAME
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

OWNERSHIP INFORMATION

Check the following box that applies to your company:

- | | |
|---|--|
| <input type="checkbox"/> Sole Proprietor (S) | <input checked="" type="checkbox"/> C Corporation (C) (Other than Association/Co-op) |
| <input type="checkbox"/> Partnership (P) | <input type="checkbox"/> Subchapter S Corporation (Z) |
| <input type="checkbox"/> Bankruptcy (B) | <input type="checkbox"/> Association/Co op (A) |
| <input type="checkbox"/> Receivership (R) | <input type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Other (Describe) _____ | |

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

- | | | |
|-------------------------------------|-----------------------------------|--|
| <input type="checkbox"/> APACHE | <input type="checkbox"/> COCHISE | <input type="checkbox"/> COCONINO |
| <input type="checkbox"/> GILA | <input type="checkbox"/> GRAHAM | <input type="checkbox"/> GREENLEE |
| <input type="checkbox"/> LA PAZ | <input type="checkbox"/> MARICOPA | <input checked="" type="checkbox"/> MOHAVE |
| <input type="checkbox"/> NAVAJO | <input type="checkbox"/> PIMA | <input type="checkbox"/> PINAL |
| <input type="checkbox"/> SANTA CRUZ | <input type="checkbox"/> YAVAPAI | <input type="checkbox"/> YUMA |
| <input type="checkbox"/> STATEWIDE | | |

COMPANY NAME CERBAT WATER COMPANY, INC.

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
301	Organization			
302	Franchises			
303	Land and Land Rights	4,500	0	4,500
304	Structures and Improvements			
307	Wells and Springs			
311	Pumping Equipment	48,084	48,084	0
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes	123,570	42,124	81,446
331	Transmission and Distribution Mains	539,153	379,730	159,423
333	Services	44,953	10,866	34,087
334	Meters and Meter Installations	14,980	5,145	9,835
335	Hydrants	14,400	3,456	10,944
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment			
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	TOTALS	789,640	489,405	300,235

This amount goes on the Balance Sheet Acct. No. 108

SEE ACCOUNTANT'S COMPILATION REPORT

CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
301	Organization			
302	Franchises			
303	Land and Land Rights	4,500	N/A	0
304	Structures and Improvements			
307	Wells and Springs			
311	Pumping Equipment	48,084	12.50	0
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes	123,570	5.00	6,179
331	Transmission and Distribution Mains	539,153	2.00	6,849
333	Services	44,953	3.33	1,497
334	Meters and Meter Installations	14,980	8.33	1,247
335	Hydrants	14,400	2.00	288
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment			
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	TOTALS	789,640		16,060

This amount goes on Comparative Statement of Income and Expense
Acct. No. 403.

*Amortization of CIAC is \$3,934 which is not included in depreciation expense but is added to accumulated depreciation.
SEE ACCOUNTANT'S COMPILATION REPORT

BALANCE SHEET

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	ASSETS		
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$ 89	\$ -67
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable	2,051	4,647
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies		
162	Prepayments		
174	Miscellaneous Current and Accrued Assets		
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 2,140	\$ 4,580
	FIXED ASSETS		
101	Utility Plant in Service	\$ 786,497	\$ 789,640
103	Property Held for Future Use		
105	Construction Work in Progress		
108	Accumulated Depreciation – Utility Plant	469,411	489,405
121	Non-Utility Property		
122	Accumulated Depreciation – Non Utility		
	TOTAL FIXED ASSETS	\$ 317,086	\$ 300,235
	TOTAL ASSETS	\$ 319,226	\$ 304,815

NOTE: The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

SEE ACCOUNTANT'S COMPILATION REPORT

BALANCE SHEET (CONTINUED)

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	LIABILITIES		
	CURRENT LIABILITES		
231	Accounts Payable	\$	\$
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies	0	318
235	Customer Deposits		
236	Accrued Taxes	908	376
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities		
	TOTAL CURRENT LIABILITIES	\$ 908	\$ 694
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	\$ 255,285	\$ 286,072
	DEFERRED CREDITS		
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction	350,243	367,753
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction	196,718	196,718
272	Less: Amortization of Contributions	141,638	145,572
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	\$ 405,323	\$ 418,899
	TOTAL LIABILITIES	\$ 661,516	\$ 705,665
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$ 204,341	\$ 204,341
211	Paid in Capital in Excess of Par Value		
215	Retained Earnings	(546,631)	(605,191)
218	Proprietary Capital (Sole Props and Partnerships)		
	TOTAL CAPITAL	\$ (342,390)	\$ (400,850)
	TOTAL LIABILITIES AND CAPITAL	\$ 319,226	\$ 304,815

SEE ACCOUNTANT'S COMPILATION REPORT

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 37,701	\$ 62,055
460	Unmetered Water Revenue		
474	Other Water Revenues	895	1,706
	TOTAL REVENUES	\$ 38,596	\$ 63,761
	OPERATING EXPENSES		
601	Salaries and Wages	\$	\$
610	Purchased Water	30 718	33,766
615	Purchased Power	3,297	3,558
618	Chemicals		262
620	Repairs and Maintenance		184
621	Office Supplies and Expense		179
630	Outside Services – Management Fee	31,586	35,316
635	Water Testing	720	990
641	Rents		
650	Transportation Expenses		
657	Insurance – General Liability		
659	Insurance - Health and Life		
666	Regulatory Commission Expense – Rate Case	850	
675	Miscellaneous Expense	2,405	15,875
403	Depreciation Expense	18,236	16,060
408	Taxes Other Than Income		
408.11	Property Taxes	1,209	1,757
409	Income Tax	50	50
	TOTAL OPERATING EXPENSES	\$ 89,071	\$ 107,997
	OPERATING INCOME/(LOSS)	\$ (50,475)	\$ (44,236)
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$	\$
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense		
	TOTAL OTHER INCOME/(EXPENSE)	\$ 0	\$ 0
	NET INCOME/(LOSS)	\$ (50,475)	\$ (44,236)

SEE ACCOUNTANT'S COMPILATION REPORT

COMPANY NAME CERBAT WATER COMPANY, INC.

SUPPLEMENTAL FINANCIAL DATA

Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued	VAR			
Source of Loan	CLAUDE K. NEAL TRUST			
ACC Decision No.				
Reason for Loan	LINE OF CREDIT			
Dollar Amount Issued	\$ VAR	\$	\$	\$
Amount Outstanding	\$ 286,072	\$	\$	\$
Date of Maturity				
Interest Rate				
Current Year Interest	\$ 0	\$	\$	\$
Current Year Principle	\$ 0	\$	\$	\$

Meter Deposit Balance at Test Year End	\$ 13,868
Meter Deposits Refunded During the Test Year	\$ 2,444

SEE ACCOUNTANT'S COMPILATION REPORT

COMPANY NAME CERBAT WATER COMPANY, INC.

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (Gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled

- Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
CLAUDE K. NEAL FAMILY TRUST	5700	22,070

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
20	2	9	N/A

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
500,000	STEEL TANK		
22,000	STEEL TANK		

SEE ACCOUNTANT'S COMPILATION REPORT

COMPANY NAME CERBAT WATER COMPANY, INC.

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
2	PVC	1,200
3		
4	PVC	6,100
5		
6	PVC	16,420
8	PVC	26,263
10	PVC	5,000
12		

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X 3/4	
3/4	166
1	3
1 1/2	
2	
Comp. 3	
Turbo 3	
Comp. 4	
Tubo 4	
Comp. 6	
Tubo 6	

For the following three items, list the utility owned assets in each category.

TREATMENT EQUIPMENT:

STRUCTURES:

1 500,000 GALLON STEEL TANK

1 22,000 GALLON STEEL TANK

OTHER:

SEE ACCOUNTANT'S COMPILATION REPORT

COMPANY NAME: CERBAT WATER COMPANY, INC.

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2002

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD	GALLON PUMPED (Thousands)
JANUARY	151	866,810	866,810
FEBRUARY	150	1,031,234	1,031,234
MARCH	153	1,210,486	1,210,486
APRIL	154	1,752,960	1,752,960
MAY	155	2,575,230	2,575,230
JUNE	155	2,827,320	2,827,320
JULY	160	2,721,470	2,721,470
AUGUST	161	2,675,590	2,675,590
SEPTEMBER	159	2,378,990	2,378,990
OCTOBER	159	1,785,880	1,785,880
NOVEMBER	163	1,272,070	1,272,070
DECEMBER	166	925,870	925,870
TOTAL			22,023,910

Is the Water Utility located in an ADWR Active Management Area (AMA)?

() Yes (X) No

Does the Company have An ADWR Gallons Per Capita Per Day (GPCPD) requirement?

() Yes (X) No

If yes, provide the GPCPD amount: N/A

What is the level of arsenic for each well on your system. .005 mg/l

(If more than one well, please list each separately)

Note: If you are filing for more than one system, please provide separate data sheets for each system.

SEE ACCOUNTANT'S COMPILATION REPORT

COMPANY NAME CERBAT WATER COMPANY, INC. YEAR ENDING 12/31/2002

PROPERTY TAXES

Amount of actual property taxes paid during Calendar Year 2002 was: \$ 1,756.54

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. _____

SEE ACCOUNTANT'S COMPILATION REPORT

COMPANY NAME CERBAT WATER COMPANY, INC. YEAR ENDING 12/31/2002

INCOME TAXES

For this reporting period, provide the following:

Federal Taxable Income Reported	<u>0 (NET OPERATING LOSS)</u>
Estimated or Actual Federal Tax Liability	<u>0</u>

State Taxable Income Reported	<u>0 (NET OPERATING LOSS)</u>
Estimated or Actual State Tax Liability	<u>\$50</u>

Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances	<u>0</u>
Amount of Gross-Up Tax Collected	<u>0</u>
Total Grossed-Up Contributions/Advances	<u>0</u>

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.

B Marc Neal
SIGNATURE

1-27-04
DATE

B. MARC NEAL
PRINTED NAME

PRESIDENT
TITLE

SEE ACCOUNTANT'S COMPILATION REPORT ATTACHED

RECEIVED

VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only

JAN 29 2004

ARIZONA CORPORATION COMMISSION
DIRECTOR OF UTILITIES

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)
MOHAVE
NAME (OWNER OR OFFICIAL) TITLE
MARC NEAL, PRESIDENT
COMPANY NAME
CERBAT WATER COMPANY, INC.

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2002

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2002 WAS:

Arizona IntraState Gross Operating Revenues Only (\$)

\$ 65,685

(THE AMOUNT IN BOX ABOVE
INCLUDES \$ 3,630
IN SALES TAXES BILLED, OR COLLECTED

**REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)

B Marc Neal
SIGNATURE OF OWNER OR OFFICIAL
928-753-1121
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

27th



DAY OF

NOTARY PUBLIC
STATE OF ARIZONA
Mojave County

Mojave
COUNTY NAME
January
2004
DATE

LESLIE L.E. MESTAYER

My Commission Expires 06/24/06

SIGNATURE OF NOTARY PUBLIC
Leslie L.E. Mestayer

(SEAL)

MY COMMISSION EXPIRES 6-24-06

RECEIVED

JAN 29 2004

ARIZONA CORPORATION COMMISSION
DIRECTOR OF UTILITIES

VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
INTRASTATE REVENUES ONLY

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

COUNTY OF MOHAVE	
NAME (OWNER OR OFFICIAL) MARC NEAL	TITLE PRESIDENT
COMPANY NAME CERBAT WATER COMPANY, INC.	

MONTH	DAY	YEAR
12	31	2002

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2002 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES

\$ 65,685

(THE AMOUNT IN BOX AT LEFT
INCLUDES \$ 3,630
IN SALES TAXES BILLED, OR COLLECTED

*RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.

B Marc Neal
SIGNATURE OF OWNER OR OFFICIAL

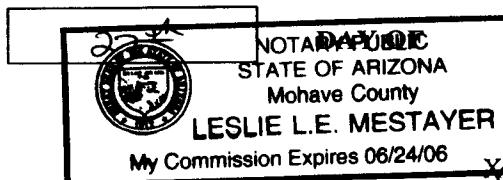
SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

(SEAL)

MY COMMISSION EXPIRES



NOTARY PUBLIC NAME <i>Leslie L. E. Mestayer</i>	
COUNTY NAME <i>Mohave</i>	
MONTH <i>January</i>	20 <i>04</i>

Leslie L. E. Mestayer
SIGNATURE OF NOTARY PUBLIC